

AUTHORIZATION REQUEST FOR FY 2011

AR Title: SOUTH KOREA PROMOTIONAL CAMPAIGN

Name of Contractor: United States Meat Export Federation

CBB Budget Component: Foreign Marketing

I. OVERVIEW

A. **AR Description:**

This Authorization Request describes USMEF's marketing plan for Korea, with a focus on regaining market share by highlighting the quality and profitability of U.S. beef and working to overcome negative consumer perceptions.

In 2009, U.S. beef/beef variety meat (bvm) exports to Korea fell 3 percent to 55,540 mt valued at \$215.67 million, down 27 percent from 2008. Lower values in 2009 reflected the drop in U.S. beef prices and the impact of the weak Korean Won during the first three quarters of the year. Large stocks of higher priced frozen U.S. beef in the market had limited some purchasing, but these inventories have been worked down to healthier levels. For the year, U.S. beef represented 25 percent of the total imported beef market in Korea. While retailers and restaurants have reported increased U.S. beef sales, some structural weaknesses, due to the economic slump and earlier exchange rate drop, remain in the beef import and distribution system.

Most retailers are now selling U.S. beef, and as retail sales have gained momentum, chilled U.S. beef exports to Korea have also continued to increase. Restoration of foodservice sales has become critical to moving the accumulated inventory of frozen beef out of cold storage and into the market, though the depreciation of the Korean Won, consumer price sensitivity and dampened foodservice demand posed challenges to U.S. beef sales in 2009. USMEF worked intensively to help foodservice outlets feature the high quality, affordable attributes of U.S. beef. As the foodservice sector has been very cautious about selling U.S. beef again, USMEF's initial activities focused on five-star hotels and major rib house chains in order to raise awareness of U.S. beef's presence in the market at these well-known outlets and to ease tensions about the product. Still, misinformation about U.S. beef and the manner in which it is produced dampened consumer confidence and hindered sales. In response, at the end of 2009, USMEF launched its "To Trust" campaign with a "women-to-women" theme designed to raise the visibility of U.S. beef among consumers and counteract persistent negative images. USMEF has already seen positive results, with a dramatic improvement in consumer sentiment toward U.S. beef. Major large-scale Korean-style rib restaurants now commonly use U.S. beef, and medium- and small-scale rib and BBQ restaurants have gained confidence and are increasingly featuring U.S. beef items.

Export forecasts for 2010 and 2011 are 99,000 mt valued at \$460,722,707, and 116,000 mt valued at \$543,000,000, respectively.

B. Costs Requested from this AR:

Source of Funding	Total	Direct Costs	Implementation
Beef Board/BPOC	\$ 882,259	\$ 882,259	\$
Federation of SBCs (FSBCs)	\$ 457,721	\$ 457,721	\$
Other Sources (<i>describe</i>)	\$	\$	\$
Total Funds Requested	\$ 1,339,980	\$ 1,339,980	\$

C. Disclosure of Implementation Costs Requested in Separate AR:

Source of Implementation Funding	Implementation
Beef Board/BPOC	\$ 445,490
Federation of SBCs (FSBCs)	\$ 44,510
Other Sources (<i>describe</i>)	\$ -
Funds Requested in AR FM-13-2011	\$ 490,000

D. Start date: October 1, 2010**Completion date:** September 30, 2011**II. PLANNING INFORMATION FOR THIS AR****A. FY 2011 Priorities Addressed by This AR:** Develop and Expand International Markets**B. Committee That Reviewed This AR:** Joint International Markets Committee**C. Committee Recommendations for This AR:** The Joint International Markets Committee recommends to the Operating Committee that this AR be approved for funding in FY2011.**III. PROGRAM INFORMATION FOR THIS AR****A. Strategy 1: International Marketing – South Korea****Strategy 1 Proposed Cost:** \$1,339,980**Specific Tactic Information:****Tactic 1A: Market Development –**

Reeducate key accounts about the quality, profitability and versatility of reasonably priced U.S. beef and inform consumers about its tastiness and availability, while also providing information across sectors about safeguards in place in the U.S. beef industry to ensure a safe and consistent supply.

Trade Servicing: USMEF will maintain regular contact with key accounts and disseminate information on the U.S. beef industry and the range of products available, as well as strengthen relationships with potential importers and new downstream HRI customers.

Trade Shows: USMEF will participate in trade shows to identify new buyers and reinforce relationships with existing customers. USMEF plans to attend at least two shows and will review other opportunities. At least 2 trade shows will be attended.

Teams: Teams will provide an opportunity for participants across sectors to see U.S. production practices, the U.S. grading system, U.S. meat inspection and food safety systems, and the variety of cuts and items available from the U.S. In addition, trade teams allow Korean buyers to meet U.S. suppliers and to familiarize themselves with their products first-hand. Two retail teams with 10-12 participants and one media team with 5-7 participants are planned.

Seminars: USMEF will conduct seminars on the wide variety of U.S. beef items available and the safety of the products. These education initiatives can be customized according to the individual target account's requirements. USMEF will also conduct a Culinary Camp for Korean chefs to introduce new cooking methods for U.S. beef. Eight seminars are planned.

Education Materials: Educational materials will be used to inform targeted sectors on specific U.S. beef topics and help them more effectively promote U.S. beef.

Communications & Public Relations: USMEF will expand the reach of its messages and activities, and will communicate the U.S. beef industry's continued commitment to the Korean market and reinforce the profitability and safety message by providing information on new products, meat industry trends, and U.S. food safety systems, etc. Activities include website communications and magazine advertisements and advertorials communicating and reinforcing the quality, value and safety of U.S. beef. (Time frame: Year-round, including *U.S. Meat* – 6 issues/year, 5,000 copies/issue plus e-mail service; *USMEF Newsline* – 48 issues/year via e-mail to 3,000 individuals; weekly e-mail service to retailers via USMEF/Korea's web site).

Promotions: USMEF will provide promotional support for the introduction of chilled beef items at key accounts in the target segments in order to demonstrate the quality, value and the safety of U.S. beef. Five thousand six hundred (5,600 days) days of in-store promotion are planned covering 600 outlets.

Consumer Events: USMEF will conduct events for targeted consumers to experience U.S. beef and learn about the positive characteristics of the

product and industry. Two outdoor BBQ activities targeting the general public and 10 small scale cooking classes are planned.

- **Measurable objectives:**

- 26% of targeted trade accounts will be confident in the consistent supply of U.S. chilled beef (up from 19% in 2010).
- 51% of targeted HRI accounts will feature a (new) U.S. beef item on the menu (up from 43% in 2010).
- 26% of targeted hotel/banquet accounts will feature U.S. beef on their menus (up from 16% in 2010).
- 27% of targeted retailers will merchandise recommended alternative U.S. beef items (up from 18% in 2010).
- 57% of targeted media will report favorably on U.S. beef and incorporate recommended key message points (up from 42% in 2010).

- **Proposed cost:** \$1,264,980

Tactic 1B: Market Access –

Contribute to and support U.S. government initiatives to eliminate trade-restrictive policies and requirements in Korea, build and reinforce confidence in the U.S. industry as a producer and exporter of beef and keep the U.S. industry informed on critical changes in Korean government requirements and emerging consumer issues. Noteworthy Issues include the negative image Korean customers have towards U.S. beef and the industry.

USMEF will carry out Issue Monitoring, Analysis & Reporting, Government & External Relations and Technical Support as described in the Prologue section. Additionally, USMEF will use specialized PR and communications to address concerns and image issues related to U.S. beef and the industry at all levels of the market.

- **Measurable objectives:**

- USMEF will contribute to and support U.S. government initiatives to eliminate trade restrictive policies.
- USMEF will provide factual information to help improve Korean confidence in the U.S. beef industry.
- 80% of USMEF members report that they receive the information they need from USMEF related to market access issues.

- **Proposed cost:** \$75,000

IV. DETAILED BUDGET SUMMARY

Strategy & Tactic	Program Manager	Completion Date	Total FY 2011 Budget	Budget by Funding Source		
				CBB/BPOC	FSBCs	Other
Market Development	USMEF	9/30/11	\$ 1,264,980	\$ 832,878	\$ 432,102	
Market Access	USMEF	9/30/11	\$ 75,000	\$ 49,381	\$ 25,619	
South Korea Totals			\$ 1,339,980	\$ 882,259	\$ 457,721	\$ -
AR Totals			\$ 1,339,980	\$ 882,259	\$ 457,721	\$ -

V. SUPPLEMENTAL INFORMATION

A. Changes from FY 2010 Approved AR:

- USMEF has combined its Buyer Loyalty and Market Expansion strategies under the name "Market Development," and has renamed its Issue Management strategy "Market Access."

B. Subcontractor information:

- Name of proposed subcontractors:**

Apple Ad	Cooking Classes
Creative May	Ad/POS Production
Cuvix Information	Web Hosting/Management/Marketing
Design Depth	Retail Promotion/POS Production
Goodfellas Ad Company	Newsletter
Heungseo Industry Co.	Booth Constructor
Jin Han Tour Co.	Travel Agency
Weber Shandwick	PR/Advertising

- Subcontractors are selected using USMEF competitive bidding and vendor selection policies and procedures that include bidding all contracts greater than \$25,000 at least every three years. Selection is based on qualifications and reasonableness of cost for similar services.

C. Identify any relationships between this AR and projects previously funded by the Operating Committee:

- This AR is a continuation of the strategy and tactics currently underway.

D. Summary of Prior Year AR Budgets and Expenses:

Strategy	FY 2010 Approved Budgets			FY 2010 Actual Expenses (NCBA's Books as of 5/31/10)		
	CBB/BPOC	FSBCs	Total	CBB/BPOC	FSBCs	Total
Buyer Loyalty	\$ 966,081	\$ 334,661	\$ 1,300,742	\$ 331,771	\$ 114,938	\$ 446,709
Issue Management	\$ 51,112	\$ 23,888	\$ 75,000	\$ 695	\$ 325	\$ 1,020
AR Totals	\$ 1,017,193	\$ 358,549	\$ 1,375,742	\$ 332,466	\$ 115,263	\$ 447,729

E. Historical Summary of Budgets and Expenses:

Strategy & Tactic	Total Approved Budgets			Total Actual Expenses		
	FY 2009	FY 2008	FY 2007	FY 2009	FY 2008	FY 2007
Korea	\$ 1,250,000	\$ 800,000	\$ 850,000	\$ 1,249,998	\$ 751,499	\$ 964,999
AR Totals	\$ 1,250,000	\$ 800,000	\$ 850,000	\$ 1,249,998	\$ 751,499	\$ 964,999